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SUBJECT: AMBASSADOR PAYS COURTESY CALL ON NEW BANK OF
MONGOLIA GOVERNOR BATSIKH

REF: ULAANBAATAR 0290

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1. (SBU) The Ambassador, accompanied by DCM, paid a courtesy call November 27 on recently appointed Bank of Mongolia (BOM) Governor A. Batsukh. After congratulating Batsukh on his appointment last month, the Ambassador noted the USG had worked with the GOM and the BOM on several issues, including anti-money-laundering (AML) and anti-corruption legislation, among others. He observed that the Treasury Department was considering technical assistance options in a number of areas; Batsukh welcomed such prospects. Batsukh said that this week the BOM would set up a Financial Intelligence Unit (FIU) and would soon name its head, as AML was a priority for the BOM. He said the Asia Pacific Group would begin a peer review of Mongolia's anti-money-laundering system beginning in December.

2. (SBU) The Ambassador noted that Mongolia has relatively high interest rates of 20% to 25%. Batsukh replied that inflation was a key factor built into the interest rates and that inflation had dropped from around 10% in 2005 to 5.3% in 2006. He expected this trend would eventually affect Mongolian expectations and help bring down both inflation and interest rates. Risk factors also influence interest rates, Batsukh said, adding that problems with loan disclosure and collateral also contributed to high interest rates. He expressed gratitude for USAID's support in the creation of a Mongolian Mortgage Corporation consortium of 10 banks which will also help reduce lending costs (see reftel). Mongolia hopes to offer its first swap in January 2007. International Department Director Odongua sought the Ambassador's views on the prospects for the completion of a Millennium Challenge Compact.
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